

## SUBCOMMITTEE NO. 4

## Agenda

Michael Machado, Chair  
Robert Dutton  
Christine Kehoe



### Hearing Outcomes

Wednesday, April 11, 2007  
9:30 a.m.  
Room 113

Consultants: Danny Alvarez and Brian Annis

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## Department Budgets Proposed for Vote Only

**Staff recommends a consolidated vote for all “vote-only” departments – see page 7 of this agenda**

### **1100 & 1111 Select Regulatory Boards, Bureaus, Programs, Divisions within the Department of Consumer Affairs**

- (1) Boards/Bureaus without Budget Change Proposals (BCPs):** The Administration did not submit BCPs for the following entities. No Board or Bureau listed below receives General Fund support. (Dollars are in 1,000s)

Vote			Positions		Expenditures	
			2006-07	2007-08	2006-07	2007-08
		<b>Boards and Commissions - Organization Code 1110</b>				
3-0	(1a)	Architects Board	23.5	23.5	\$4,171	\$4,196
3-0	(1b)	Geologists and Geophysicists, Board for	9.6	9.6	1,237	1,279
3-0	(1c)	Guide Dogs for the Blind, State Board of	1.3	1.3	161	162
3-0	(1d)	Acupuncture Board	9.4	9.4	2,526	2,652
3-0	(1e)	Physician Assistant Committee	4.4	4.4	1,121	1,182
3-0	(1f)	Podiatric Medicine, California Board of	5.1	5.1	1,252	1,341
3-0	(1g)	Psychology, Board of	12.7	12.7	3,321	3,401
3-0	(1h)	Respiratory Care Board of California	16.2	16.2	2,801	2,871
3-0	(1i)	Optometry, State Board of	6.8	6.8	1,230	1,195
3-0	(1j)	Osteopathic Medical Board	4.5	4.5	1,215	1,268
3-0	(1k)	Court Reporters Board of California	4.5	4.5	1,146	1,161
3-0	(1l)	Structural Pest Control Board	28.3	28.3	4,604	4,596
3-0	(1m)	Veterinary Medical Board	10.0	10.0	2,411	2,247
3-0		<b>Bureaus, Programs, Divisions - Organization Code 1111</b>				
3-0	(1n)	Electronic & Appliance Repair, Bureau of	14.5	14.5	2,126	2,305
3-0	(1o)	Telephone Medical Advice Services Program	0.9	0.9	141	158
3-0	(1p)	Cemetery & Funeral Bureau	22.5	22.5	3,960	3,993
3-0	(1q)	Naturopathic Medicine, Bureau	0.9	0.9	122	151

- (2) **Boards/Bureaus with Budget Change Proposals (BCPs):** The Administration submitted BCPs for the following Boards and Bureaus that make minor adjustments to funding and staff primarily in response to workload and cost changes. None of the entities listed below receive General Fund support. No concerns have been raised to Staff concerning budget changes for these entities. A brief description of the Budget Change Proposal is included under each Board or Bureau. **(Action: indicated on the far left column – Senator Dutton was the “no” for all 2-1 votes.)**

Vote			Positions		Expenditures	
			2006-07	2007-08	2006-07	2007-08
		<b>Boards and Commissions - Organization Code 1110</b>				
		<b>Athletic Commission</b>	12.8	14.2	\$1,776	\$2,134
2-1	(2a)		Augmentation of \$18,000 to provide mandated training to referees, judges, timekeepers, and physicians. (BCP 1111-01)			
2-1	(2b)		Augmentation of \$522,000 to hire more temporary-help event inspectors and add 2.0 Office Technician positions. SB 1549 (Ch 691, St. of 2004, Figueroa) added Mixed Martial Arts (MMA) events to the Commission's responsibilities. The number of MMA events has significantly exceeded past estimates. (BCP 1111-02)			
		<b>Barbering and Cosmetology, Board of</b>	85.9	86.4	\$16,354	\$17,577
3-0	(2c)		Transfer 1.0 information technology positions to the Department of Consumer Affairs' centralized Office of Information Support (OIS). The Board requests no net change in funding because it is assumed the Board would purchase these services from OIS. (BCP 1110-12)			
3-0	(2d)		Augmentation of \$188,000 and 1.5 positions to implement AB 861 (Ch 411, St. of 2006, Bass), which authorizes probationary licenses and requires a report. This request is consistent with the cost assumptions in the analyses for AB 861. (BCP 1110-02L)			
		<b>Behavioral Sciences, Board</b>	29.4	31.3	\$5,110	\$5,675
3-0	(2e)		Redirection of \$183,000 and the addition of 2.0 positions for enforcement workload increases. This proposal would shift existing operating expense authority to fund the 2.0 new positions. (BCP 1110-13)			
3-0	(2f)		Augmentation of \$105,000 to work with the Department of Mental Health on a plan to educate, train, and license the public mental health workforce			

Vote			Positions		Expenditures	
			2006-07	2007-08	2006-07	2007-08
			consistent with the Mental Health Services Act (Prop 63). (April 1 Finance Letter #1).			
		<b>Physical Therapy Board</b>	10.3	10.8	\$2,432	\$2,436
3-0	(2g)		Transfer of \$22,000 and 0.4 positions from the Medical Board to the Physical Therapy Board, plus additional position authority of 0.1 positions. The Physical Therapy Board would directly perform the licensing cashing function currently performed by the Medical Board. (BCP 1110-20)			
		<b>Speech-Language Pathology and Audiology Board</b>	5.0	5.0	\$777	\$918
3-0	(2h)		Augmentation of \$72,000 (one-time) to conduct an examination validation study of the national examination for licensure. (BCP 1110-27)			
		<b>Occupational Therapy, California Board of</b>	4.7	6.5	\$877	\$1,033
3-0	(2i)		Augmentation of \$132,000 and 2.0 positions for increased workload in enforcement (BCP 1110-22) and cashing (BCP 1110-23).			
		<b>Professional Engineers and Land Surveyors, Board for</b>	52.1	53.0	\$8,314	\$9,105
2-1	(2j)		Augmentation of \$96,000 and 1.0 position for enforcement workload growth and cost increases for enforcement expert witnesses. (BCP 1110-29)			
2-1	(2k)		Augmentation of \$39,000 for subject matter experts who assist in licensure exam development and grading. (BCP 1110-30)			
		<b>Registered Nursing, Board of</b>	89.2	93.9	\$22,323	\$23,865
3-0	(2l)		Augmentation of 4.0 positions (within existing expenditure authority) to improve telephone response – the Board is successfully answering only 13,200 of 34,000 calls received monthly. Positions are funded via a \$200,000 redirection of operating expense funds. (BCP 1110-25)			
3-0	(2m)		Augmentation of 1.0 position (within existing expenditure authority) to process Public Record Act requests and issue fines and citations. The position would be funded via a \$59,000 redirection of operating expense funds. (BCP 1110-26)			

			Positions		Expenditures	
Vote			2006-07	2007-08	2006-07	2007-08
		Vocational Nursing and Psychiatric Technicians, Board of	40.2	48.5	\$7,160	\$8,495
2-1	(2n)		Augmentation of \$870,000 and 4.5 positions to address workload associated with SB 358 (Ch. 640, St. of 2003, Figueroa). SB 358 specifies that a licensee who fails to report known violations by another licensee can be fined or have their license suspended. The funding requested is actually less than anticipated by SB 358 because the actual workload has been about half of expectations. (BCP 1110-31)			
3-0	(2o)		Augmentation of \$305,000 and 4.2 positions to address workload growth in the Enforcement Program. The BCP provides a 10-year history of complaints received that shows a steady growth totaling 466 percent. (BCP 1110-32)			
		<b>Bureaus, Programs, Divisions - Organization Code 1111</b>				
		Arbitration Certification Program	5.4	5.7	\$947	\$1,014
3-0	(2p)		Augmentation of \$26,000 and 0.3 positions to address deficiencies in inspection and public-outreach workloads. This Program oversees the State's motor vehicle "lemon laws." (BCP 1111-05)			
		Hearing Aid Dispensers Bureau	2.9	3.8	\$745	\$766
3-0	(2q)		Augmentation of \$67,000 and 1.0 position to address increased ongoing licensing and examination workload. (BCP 1111-04)			
		Security and Investigative Services, Bureau of	65.9	65.9	\$12,965	\$11,899
3-0	(2r)		Augmentation of \$199,000 and 2.5 positions (3-year limited-term) to address increased enforcement workload and unlicensed activity. (BCP 1111-06)			
		Home Furnishings & Thermal Insulation, Bureau of	29.5	30.4	\$4,155	\$4,574
2-1	(2s)		Augmentation of \$63,000 and 1.0 position to perform increased product testing and evaluation. (BCP 1111-12)			

Vote			Positions		Expenditures	
			2006-07	2007-08	2006-07	2007-08
		<b>Professional Fiduciaries Bureau</b>	na	3.8	na	\$1,113
2-1	(2t)		Augmentation of \$1.1 million and 3.8 positions to implement the Bureau which was created by SB 1550 (Ch 491, St. of 2006). Ongoing costs of \$672,000 are consistent with SB 1550 analyses, but the first year costs exceed estimates by about \$400,000 due to technology and exam preparation costs not included by DCA in the earlier estimates. (BCP 1111-01L)			
		<b>Crosscutting Bureau BCPs</b>	na	na	na	na
3-0	(2u)		Augmentation of \$281,000 and 2.5 positions to address increased ongoing workload in the centralized Division of Investigations' Special Operations Unit. This Unit performs internal investigations of DCA Boards and Bureaus and has 29 backlog cases. (BCP 1111-18)			
2-1	(2v)		Augmentation of \$302,000 and 3.0 positions to create a Case Intake, Assist, and Disposition Unit within the centralized Division of Investigations. The augmentation would institute preliminary case management and prioritization to increase efficiency. (BCP 1111-19)			
2-1	(2w)		Augmentation of \$175,000 due to an approximate cost increase of 62 percent for a new facility lease. This request includes both the Bureau of Home Furnishing and Thermal Insulation and the Bureau of Electronic and Appliance Repair. (BCP 1111-11)			
3-0	(2x)		Authority for 2.0 position (funded within existing authority) to address workload in the Office of Examination Resources (OER). OER is funded through reimbursements. (BCP 1111-14)			
3-0	(2y)		Realign \$116,000 in current <i>reimbursements</i> to <i>distributed costs</i> for Office of Information Services centralized website services. This proposal would result in no net cost, but would reduce paperwork. (BCP 1111-16)			
3-0	(2z)		Augment funding by \$1.1 million in 2007-08 and \$266,000 ongoing (special funds) to pay for moving costs for various Boards and ongoing rent. (BCP 1110-34)			

**(3) 1705 Fair Employment and Housing Commission**

The Fair Employment and Housing Commission is a quasi-judicial body responsible for the promotion and enforcement of the State's civil rights laws concerning discrimination in employment, housing, public accommodations, family, medical and pregnancy disability leave, hate violence, and threats of violence. Specifically, the Commission adjudicates cases prosecuted before it by the Department of Fair Employment and Housing and promulgates regulations that interpret the Fair Employment and Housing Act.

The Governor proposes expenditures of \$1.3 million (\$1.2 million General Fund) and 7.0 positions for the Commission – an increase of \$29,000. The Administration submitted one Budget Change Proposal to augment the Commission by \$20,000 (General Fund) to allow it to hold six annual Commission meetings in venues throughout the state. Past budget reductions have limited the ability of the Commission to hold meetings outside of its San Francisco headquarters. Geographically dispersed meetings increase awareness of fair employment and housing laws and allow more public participation.

**Action: Approved budget on a 3-0 vote.**

**(4) 8260 California Arts Council**

The Arts Council serves the public through the development of partnerships with the public and private sectors and by providing support to the state's non-profit arts and cultural community.

The Governor proposes expenditures of \$5.3 million (\$1.2 million General Fund) and 19.3 positions for the Arts Council – a decrease of \$17,000. This decrease is primarily caused by a reduction in the pro rata assessment for the Council, and does not represent a real reduction in operations. The Administration did not submit any Budget Change Proposals for the Council.

**Action: Held open for the May Revision.**

**(5) 8530 Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun licenses and regulates maritime pilots who guide vessels entering or leaving those bays.

The Governor's Budget proposed expenditures of \$1.6 million (no General Fund) and 2.0 positions – an increase of \$48,000 and no change in positions. An April Finance Letter requests \$438,000 (special fund, three-year limited-term) to increase their training capacity from 9 to 13 pilots to address the anticipated increase in pilot retirements.

**Action: Approved budget on a 3-0 vote.**

**(7) 8780 Milton Marks “Little Hoover” Commission**

The Little Hoover Commission on California State Government Organization and Economy conducts four to five comprehensive reviews of executive branch programs, departments, and agencies each year and recommends ways to improve performance by increasing efficiency and effectiveness. Additionally, the Commission analyzes and makes recommendations to the Legislature on government reorganization plans.

The Governor proposes expenditures of \$1.0 million (primarily General Fund) and 8.8 positions for the Commission, a decrease of \$11,000 and no change in positions. The Administration did not submit any Budget Change Proposals for the Commission.

**Action: Approved budget on a 3-0 vote.**

**(8) 8820 Commission on the Status of Women**

The Commission on the Status of Women serves to advance the causes of women; by advising the Governor and the Legislature; and educating its constituencies.

The Governor's Budget proposes expenditures of \$534,000 (\$532,000 General Fund and \$2,000 reimbursements) and 4.6 positions – an increase of \$77,000 and 0.7 positions. The Administration submitted two Budget Change Proposals that seek to restore some of the position authority and funding deleted due to budget cuts in 2001-02 and 2002-03. The first proposal would increase the time base for the Executive Secretary from part-time to full-time at a cost of \$34,000. This would increase Commission staff from 3.9 positions to 4.6 positions, still below the 5.0 positions originally authorized in 2002-03. The second proposal would augment the Commission's operating expenses and equipment funding by \$44,000 to allow more out-of-Sacramento public meetings, more printed material, more external research contracts, and more staff development. The Administration indicates budget cuts totaling \$28,000 were made to the operating expense budget in 2001-02.

**Action: Approved budget on a 3-0 vote.**

**(9) Control Section 14.00 Department of Consumer Affairs Loans**

Control Section 14.00 authorizes short-term loans (not to exceed 18 months) between special funds within the Department of Consumer Affairs. No loan can be made that would interfere with the carrying out of the object for which the special fund was created. Similar language was approved with the 2006 Budget Act. In an April 4, 2007 letter, the Department of Consumer Affairs reported that one loan was repaid in 2005-06 – a \$92,000 loan from the Bureau of Automotive Repair to the Bureau of Naturopathic Medicine. No other loan activity occurred in 2005-06.

**Action: Approved budget on a 3-0 vote.**

**Staff Comment:** No issues have been raised with the budgets listed above.

**Staff Recommendation:** Approve the budgets of the entities listed above.



## Department Budgets Proposed for Discussion

### 0510 Secretary for State and Consumer Services

The State and Consumer Services Agency oversees the departments of Consumer Affairs, Fair Employment and Housing, and General Services. The Agency also oversees the California Science Center, the Franchise Tax Board, the California Building Standards Commission, the State Personnel Board, the California Public Employees' Retirement System, the California State Teachers' Retirement System, the Victims Compensation and Government Claims Board, and the Office of the Insurance Advisor.

The Governor proposes expenditures of \$3.2 million (\$2.5 million General Fund) and 23.7 positions for the Agency – an increase of \$1.8 million and 14.9 positions.

#### Discussion / Vote Issues

1. **Legislation Workload – Staffing (BCP #1).** The Administration requests \$96,000 and 1.0 position to address the increasing legislative bill analysis and coordination workload. The current staffing is composed of one Legislative Deputy and one clerical assistant.

**Detail:** The Agency indicates the number of Enrolled Bill Reports (EBR) increased by over 100 bills from 2005 to 2006 (from 234 to 336). Additionally, the number of direct reporting departments/boards supervised by the Agency has increased by six over the past 10 years.

The BCP request would address workload related to EBRs which are confidential documents. Staff asked the Agency if the position would result in more *public* bill analysis and position letters from the Agency. Policy and Appropriations staff have indicated a desire for the Administration to provide more public bill information and letters so the public and the bill authors can be informed of the Administration's concerns along with workload and cost estimates. Public written information from the Administration is also helpful to the Budget Committee, because when a bill is chaptered and the Administration submits a BCP to implement the legislation, the public letter or bill analysis allows a comparison of the funding request to what the Administration assumed when the policy bill was debated.

**Staff Comment:** Staff asked the Agency how many of the policy bills also had public bill analyses or letters from the Administration – at the time this agenda was finalized, that information was still pending. The Agency should indicate how this request would result in more public information from the Administration on bills.

**Staff Recommendation:** Keep this issue open. Direct Staff to continue discussions with the Agency to see if they can increase the amount of public bill information.

<b>Action: Rejected request on a 3-0 vote.</b>
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- 2. Create Office of Information Security and Protection (BCP #2 and proposed budget trailer bill language).** The Administration requests \$1.7 million and 14.7 positions to merge and expand certain information technology security and consumer privacy protection functions of the State. The new Office would combine the Office of Privacy Protection, which has a mission of consumer education and advocacy on privacy issues, and the Information Security Office, whose mission is securing and protecting the State's information assets. The Administration believes this merger of existing functions will provide synergy by bringing a consumer privacy perspective to the State information security program, while adding security expertise to the consumer privacy program.

**Detail:** The Office of Privacy Protection, currently within the Department of Consumer Affairs, would move to the Agency and shift \$826,000 (General Fund) and 8.7 positions to the new Office. The Information Security Office, currently within the Department of Finance, would move to the Agency and shift \$354,000 (General Fund) and 3.0 positions to the new Office. Additionally, the Agency would receive a net augmentation of \$521,000 and 3.0 positions for the Office of Information Security and Protection.

**Staff Comment:** The Administration has proposed other information technology reorganization, and this proposal should be considered in the context of the broader proposal. Senate Bill 834 (Chapter 533, Statutes of 2006) created the Office of State Chief Information Officer (State CIO). The Administration proposes to shift the responsibility for review and oversight of projects from the Department of Finance to the State CIO. Subcommittee #4 heard the State CIO proposal at the March 8, 2007, hearing and held open the reorganization proposal.

**Staff Recommendation:** Conform to action taken on the bigger IT reorganization proposal which is included in the Department of Finance section of this agenda. (If action on the Department of Finance issue places the IT security function somewhere other than in the State and Consumer Services Agency – reject this BCP).

**Action: Reject on a 3-0 vote. (Action was taken in the Department of Finance section of this agenda to reject the shift of the IT Security function from the Department of Finance to the proposed new Office of Information Security and Protection in the State and Consumer Services Agency, and instead shift that IT Security function to the Office of State CIO. As part of that action, this BCP was rejected, and the Office of Privacy Protection was restored.)**

## **0690 Office of Emergency Services**

The Office of Emergency Services (OES) is responsible for assuring the state's readiness to respond to and recover from natural and man-made emergencies. During an emergency, the office functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act. It also coordinates federal assistance for natural disaster grants. Since 2003-04, OES has administered criminal justice grant programs formerly managed by the Office of Criminal Justice Planning.

Additionally, the Office of Homeland Security (OHS) is also included in the OES budget. The OHS develops, maintains, and implements a statewide comprehensive homeland security strategy to prevent terrorist attacks within the state, reduce the state's vulnerability to terrorism, minimize damage from attacks that may occur, and facilitate the recovery effort. The OHS also serves as the state administering agency for federal homeland security grants and the state's primary liaison with the U.S. Department of Homeland Security.

The budget proposes total expenditures of \$1.3 billion, an increase of \$1.1 million or less than one percent from estimated current year expenditures. Over \$1 billion of this amount is from federal funds, primarily local assistance funding for disaster assistance and homeland security grants. General Fund expenditures are anticipated to be \$184.8 million in 2007-08, an increase of \$5.3 million or approximately three percent above revised current year expenditures.

### **1. Proposed for Vote Only:**

- **Response and Recovery Division Workload Increase.** The budget includes \$1.2 million (\$608,000 General Fund) and 14 positions to eliminate a significant backlog of disaster assistance claims and provide improved service to local governments and disaster victims. Note that 8 positions are two-year limited-term.
- **Fiscal Administration Best Practices (BCP #0690 – 06)** – the Office of Emergency Services requests \$573,000 and 9.0 positions to implement final recommendations from the Bureau of State Audit and Little Hoover Commission reports, as well as comply with the California Prompt Payment Act. This request will limit future General Fund exposure to significant penalties due to delayed administrative processes.
- **Victim Services Workload (BCP #0690 – 014)** – The OES requests \$200,000 from the Federal Trust Fund to provide 3 positions to ensure the proper oversight of administered sub-grants. These positions will increase the ability of OES to meet federal guidelines concerning timeliness of grant awards, reducing the threat of de-obligation of federal grants.

- **Hazardous Materials Emergency Preparedness Grant Authority (BCP# 0690 – 016).** The OES requests a permanent increase in Federal Trust Fund authority of \$676,000 to cover the increase in federal funds awarded to California.
- **High Technology Theft Apprehension and Prosecution Program (HTTAP) (BCP # 0690 – 018).** The OES requests the removal of budget language due to a defunct funding source. The OES used to receive Edward Byrne Memorial Funds from the Bureau of Justice Programs, some of which were used to support the HTTAP program. In 2005, the federal government eliminated the program. This proposal is to remove the authority and Budget Act language.
- **Forensic Science Improvement Act (BCP# 0690 – 019).** The OES requests a permanent increase in Federal Trust Fund authority of \$1.22 million to cover the increase in federal funds awarded to California. The Paul Coverdell Forensic Science Improvement Act federal grant has increased. These funds would be used exclusively for local assistance grants.
- **Victims of Crime Act (BCP# 0690 – 020).** The OES requests a permanent increase in Federal Trust Fund authority of \$5.59 million to cover the increase in available federal funds awarded to California. Funds for VOCA have steadily increased and the federal award is now higher than the established authority. Consistent with this request, the OES is also increasing current year federal trust fund authority by \$3.144 million.
- **Technical Program Realignment (BCP# 0690 – 027).** The OES requests the realignment of three program elements (the Evidentiary Medical Training, the Public Prosecutors/Public Defenders Training, and the Children's Justice Act) from public safety to victim services within Program 50. This is a technical change, no fiscal impact is contemplated. The OES wishes to realign the budget authority to correctly reflect the placement of this program within their organizational structure.
- **Nuclear Planning Assessment Special Account Consumer Price Index Adjustment (DOF April letter).** The OES requests an increase from the NPASA special fund of \$131,000 (\$38,000 State Operations, \$93,000 local assistance) pursuant to Government Code Section 8610.5. This is an annual adjustment based on economic changes reflected in the CA CPI.
- **Technical adjustment to allocate price adjustment correctly (DOF April letter).** An adjustment is requested to Item 0690-002-0001 that would decrease the Criminal Justice Projects by \$101,000, and provide a corresponding increase to State Terrorism Threat Assessment Center of \$101,000, to more accurately schedule the OES 2007-08 price adjustments.
- **Withdrawal of Port Security Grant program proposal (DOF April letter).** An adjustment to eliminate Item 0690-111-3034 is requested to reflect the withdrawal of the fall proposal to establish a Port Security Grant Program.
- **Control Section 8.00, Anti-Terrorism Federal Reimbursements.** Control Section 8.00 permits any funds received from the federal government for anti-terrorism costs

that exceed the current appropriation of federal funds for this purpose to be appropriated and allocated upon order of the Director of Finance. Allocations made to state departments may be used to offset expenditures paid or to be paid from other funding sources. Allocations may be authorized not sooner than 30 days after notification to the Joint Legislative Budget Committee.

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**Staff Comment:** No issues have been raised with the budget changes and Control Section listed above.

**Staff Recommendation:** Approve the budget changes and Control Section listed above.

<b>Action: Approved on a 3-0 vote.</b>
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## Discussion / Vote Issues

### 2. OES Chairs the Public Safety Radio Strategic Planning Committee (PSRSPC) – Informational Item

**Background.** Currently, the Office of Emergency Services chairs the PSRSPC. The *2006 and 2007 PSRSPC Annual Reports* to the Legislature have served as the strategic plan for statewide integrated public safety communications. Chapter 728, Statutes of 2006 (AB 1848) codifies the PSRSPC's annual report as the state's strategic plan and requires that the report contain, at a minimum, implementation strategies and timelines to achieve the identified goals and objectives. The report may also include identification of resource needs, including data formats, possible funding sources, prioritization of expenditures, and the development of common protocols that build upon industry and governmental standards for interoperability that will advance the integration of local, regional, and statewide interoperable public safety communication networks.

In addition, Chapter 56, Statutes of 2006 (SB 1132, Budget Committee) added Section 8592.7 to the Government Code. This section addresses state agency budget proposals for new or modified radio systems and requires those proposals be accompanied by a technical project plan. The technical project plan must include project scope, alternatives considered, solution justification, implementation plan, proposed timeline, and estimated costs by fiscal year. The PSRSPC is required to review the technical project plans for consistency with the state's strategic plan. DGS-TD is required to review the plans for technical consistency with the state's strategic plan.

**2006 PSRSPC Report.** In January 2006, the PSRSPC released a status report which is the first phase in the strategic plan for a newly envisioned statewide approach. The report supported a phased approach with immediate stopgap

solutions; in addition, the report outlined goals and objectives to move the state towards an interoperable communications system.

**2007 PSRSPC Report and OHS 2006 Annual Report.** In early April 2007, the OES released the 2007 PSRSPC report. The report reflects the current status of state agencies' systems and challenges; outlines a vision for interoperability in California; identifies key integration steps and partnerships with local government; documents two year critical operability needs for state agencies as a first step; and establishes a workplan for 2007.

Achieving a fully functioning interoperable communications system in California will realistically take over ten years. However, many critical goals and objectives must be accomplished over the next one to five years to meet state and federal mandates and to keep California on track for interoperability.

In addition, the Office of Homeland Security recently issued their *2006 Annual Report*. In this report, the OHS indicates that "many existing agency systems have considerable deficiencies in their communications structure and need funding to purchase new systems. While interoperability is the end goal, it is important not to lose sight that agencies must first be able to communicate within their own system structures. Possibly even more important for improved interoperability than equipments standards, are integrated procedural guidelines that govern the linking and integration of these different systems in an emergency."

Generally, both the OES *2007 PSRSPC Report* and the OHS *2006 Annual Report* acknowledge the necessity for linking the independent systems via networking technologies to form a "Systems of Systems." This would provide an up-to-date communications infrastructure to integrate the various needs of the many public safety agencies in the State and a set of protocols to streamline public safety communications activities.

**Staff Comments.** As with all things in State government, strong leadership is critical to insure strategic planning, essential program development and implementation, and critical oversight and accountability. One of the goals identified in the *2007 PSRSPC Report* is the establishment of an effective leadership structure.

- Who is providing the leadership – is it by committee or individual – who makes the ultimate decisions? Particularly as departments work on their own projects.
- How will accountability be established?
- How is the PSRSPC carrying out its role envisioned in SB 1132? Briefly, describe how this process works.
- How or who will ensure coordination of activities at both the state and local levels – equipment purchases, training, interaction with local entities, and implementation of other activities – in order to increase efficiencies, reduce redundancies, and ensure overall compliance with strategic planning efforts?

**Action: Informational Item**

- 3. Update on Independent Gap Analysis – Informational Item.** The 2006 Budget Act requires the OES to contract for an independent gap analysis to assess the strengths and vulnerabilities of California's emergency preparedness system for catastrophic events and the projected costs to address those vulnerabilities. The analysis shall also address specific roles and possible gaps in state, local, and federal government agencies' capacity to respond, including in the areas of governance, interoperability, medical response and surge capacity, evacuation, and economic recovery, and shall consider the role of the private sector in support of government response.

The report shall recommend specific funding and policy options to address the identified gaps. The gap analysis will measure the state's baseline emergency capability and evaluate and quantify areas where systems, resources, and organizations can be improved.

**Staff Comments.** OES should provide the subcommittee with an update on the status of the gap analysis in terms of the work accomplished to date and if the project on schedule.

**Action: Informational Item**

- 4. Account for Public-Private Partnerships - (BCP #0690-015).** The Office of Emergency Services requests permanent appropriation authority of \$1 million from the Disaster Resistant Communities Account. In addition, budget bill language would allow the Department of Finance to increase the amount of this account, if any additional funds are received.

Chapter 232, Statutes of 2005 (SB 546), specifically authorizes OES to collaborate with private entities to improve the state's emergency preparedness. Chapter 232 provides broad direction as to the types of activities that OES may undertake, including conducting outreach to businesses and developing information sharing systems for use during disasters. Chapter 232 creates the Disaster Resistant Communities Account to receive any private donations to help implement the bill's purpose.

**Private response is lacking.** According to the LAO, despite seeking the appropriation, OES reports that it has collected none (or very minor) donations to the account. In addition, the department could not provide a plan for how the funds would be spent even if received. Instead, OES reports that a working group of state entities, private companies, and nonprofit organizations currently is developing some spending options.

**LAO recommendation.** The state has not received any private funds for Chapter 232, and the administration has no plan as to how the funds would be spent once received. By approving the administration's request, the Legislature would be writing a blank check to OES to spend any monies received on a wide array of possible activities. Instead, we recommend that the Legislature reject the request. Once donations are received, the administration should seek an appropriation based on a specific spending plan.

**Staff Comment:** The OES should report to the subcommittee on concrete efforts it has taken to engage private entities in pursuit of implementing Chapter 232. What areas would be of critical priority, if and when private funds materialize?

**Staff Recommendation:** Reduce the level of appropriation authority to \$200,000 and adopt budget language requiring an expenditure plan of any funds in excess of this amount with a proviso for 30-day Joint Legislative Budget Committee (JLBC) approval notification.

<b>Action: Adopted the Staff Recommendation 3-0</b>
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5. **External Consulting Services.** The OES is requesting \$1.9 million from the General Fund (of which \$1.1 million is for external consulting services) and 7.3 personnel-years to assist the department in implementing six bills that were passed by the Legislature in 2006 aimed at improving the state's disaster preparedness. The requested staff would coordinate information and planning with various nonstate entities such as harbors, railroads, and the disabled community.

**Background / Detail.** The Legislative Analyst points out that \$1.1 million of the total amount for implementing the bills are for external consulting services.

- \$600,000 to prepare a *biennial* report for the California Emergency Council required by Chapter 502, Statutes of 2006 (AB 1889). The council is an advisory board, staffed by OES, that advises the Governor on issues related to emergencies and emergency preparedness. The report is to include a review of recent disasters and steps to address any gaps in readiness.
- \$250,000 to prepare a report for the Legislature by January 1, 2009, on improving planning and evacuation procedures specific to disabled residents required by Chapter 600, Statutes of 2006 (SB 1451).
- \$225,000 to assist in implementing Chapter 859, Statutes of 2006 (AB 2274), which requires OES to integrate harbor agencies into the state's overall preparedness structure. The proposed contracts would be used for training exercises.

**Consultants Not Necessary.** According to the LAO, the consulting contracts have not been justified on a workload basis. Regarding Chapter 502, the department



reports that the large contract is primarily based on researching and reviewing other reports on emergency preparedness. Yet, in response to a requirement in the *2006 Budget Act*, OES has already entered into a \$647,000 contract (using federal funds) with a consulting firm to provide a report on the gaps in the state's preparedness (see *Issue #2 above on the Independent Gap Analysis*). This report is due by July 15, 2007, and should provide much of the baseline information for the council report.

In the case of Chapter 600, it is not clear why the state emergency services coordinator position requested in the proposal would be unable to prepare the required report in 18 months by the statutory deadline.

Finally, regarding Chapter 859, the proposal provides no detail regarding the training exercises, their cost, or why federal homeland security funds are not available for this purpose.

**LAO Recommends Deleting Contract Funds.** The department has failed to justify why existing and new state staff could not prepare the reports and perform the duties required by recent legislation. Accordingly, we recommend the Legislature delete \$1.1 million in contract funds included in its budget requests.

**Staff Recommendation:** Adopt the LAO recommendation.

<b><i>Action: Adopted the LAO Recommendation 3-0</i></b>
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## 1100 California Science Center

The California Science Center is an educational, scientific, and technological center located in Exposition Park, a 160-acre tract in south Los Angeles. The California African American Museum (CAAM), also included in the park, provides exhibitions and programs on the history, art, and culture of African Americans. In addition, the Office of the Park Manager is responsible for maintenance of the park, public safety, and parking facilities.

The Governor proposes expenditures of \$23.2 million (\$17.5 million General Fund) and 179.9 positions for the Science Center – a total increase of \$2.2 million (and a General Fund increase of \$2.3 million).

### Proposed Vote-Only Issues

- 1. Technical Reimbursement Correction (April Finance Letter).** The Administration requests a decrease in reimbursements of \$12,000 to eliminate lease-revenue reimbursements from the primary support item because they are reflected in the lease revenue item.

**Staff Recommendation:** Approve this request.

<b><i>Action: Approved request on a 3-0 vote.</i></b>
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**Discussion / Vote Issues**

- 2. California African American Museum Renovation/Expansion (CPBCP #1).** The Administration requests \$2.3 million in 2007-08, \$2.1 million in 2008-09, and \$39.2 million in 2009-10 (all General Fund) to renovate and expand the California African American Museum (CAAM). The total General Fund cost is estimated at \$43.6 million, which is 66 percent of the total project cost of \$65.4 million – the CAAM Friends Foundation would contribute the remaining \$21.8 million (33 percent).

**Detail:** The Administration indicates the 24-year-old CAAM requires renovations in HVAC, fire suppression, security, and other safety issues. In addition to maintaining the current facility, the Administration wants to expand the facility from 46,000 square feet to 126,000 square feet. The additional space would provide for the following: allow for more visitors and groups at a single time; specialty space for school groups; larger library space to improve accessibility and allow the collection to expand; a new 300 seat theatre; new revenue-generating space including a café, a retail store, and meeting space; increased space for collection storage and display; and a new entrance to be in accord with the Exposition Park Master Plan.

**Suggested Discussion Issues:**

- What is the ability of the CAAM Friends Foundation to raise \$21.8 million to match the State funds, and how much has been raised to date?
- Should a minimum amount of private funding be achieved prior to starting construction?
- Can the CAAM Friends Foundation raise more than \$21.8 million to offset additional General Fund expense (note, the Science Center Phase II project cost was \$140 million with about \$32 million (22 percent) funded by the State and \$107 million (78 percent) funded by the foundation)?
- Who will cover cost overruns, CAAM or the Foundation?
- What will be the increased state operations cost and added positions when the expansion project is completed.

**Staff Recommendation:** Hold open for further review.

<b>Action:</b> <i>Approved request on a 2-1 vote, with Senator Dutton voting no.</i>
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- 3. CAAM – Augmentation for Operations.** The Administration requests \$399,000 (General Fund) for operating, technology and education collection, program and exhibition costs. CAAM indicates that budget cuts over the past several years have necessitated a reduction in operating hours, the number of exhibits, and community outreach activities. The proposal would allow CAAM to increase operating days from Wednesday through Saturday, to seven days a week.

**Detail:** The operations costs that seem directly related to seven-day operation are \$100,000 for facility operations and \$25,000 for utilities. The remaining \$274,000 would support external consultants for exhibition support (\$80,000); exhibition installation and supplies (\$85,000); and the remainder for data processing, inter-agency services, and communications.

**Staff Recommendation:** Approve the request.

<b>Action: Approved request on a 3-0 vote.</b>
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- 4. Science Center Phase II Facility Staffing and Operations.** The Administration requests \$1.9 million (General Fund) and 4.5 positions for 2007-08 to begin ramping up staff and operations for the late 2009 opening of the Phase II facility. The Phase II project is a \$140 million expansion to the existing Science Center facility. Phase II staffing and costs would grow each year for three years, reaching a total of 33.25 positions and \$7.1 million (General Fund) in 2009-10.

**Detail:** The Science Center has both a State budget and a Science Center Foundation budget. Staff and operating expenses are split between the two budgets. For 2007-08, proposed State support for the Science Center itself (excluding CAAM and Exposition Park Management) is \$16.3 million and the Foundation support is \$11.8 million. The Science Center indicates that the Foundation will share in the operations cost of the new facility, contributing in the range of \$6 million annually when Phase II is open. The new State positions requested are primarily associated with development, construction, maintenance, and operations of a changing set of exhibits, and the overall maintenance and operation of the Phase II facility.

**Staff Comment:** In past years, the Legislature has considered alternative funding mechanisms to offset General Fund costs. Charging admission was studied and rejected because of concerns that fees would significantly reduce the number of visitors. Shifting more costs to the Foundation has been considered, but the majority of funds raised have been restricted to capitol costs instead of operations, and the Science Center indicates that the Foundation already plans to contribute to Phase II operations (about \$6 million annually when fully operational).

**Staff Recommendation:** Approve the request.

<b>Action: Approved request on a 2-1 vote, with Senator Dutton voting no.</b>
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- 5. Budget Bill Language – External Contracts.** The Administration requests new budget bill language that the Science Center indicates would provide them the ability to contract with the Science Center Foundation (Foundation) without going through a competitive bidding process. Similar language was included in the Budget Act in 1997 and 1998. Since the language has been deleted, the Science Center has to open contracts to competitive procurement, but indicates since the Foundation is co-located and non-profit it has an advantage over other bidders. The identified problem is the additional workload associated with competitive bidding and that other vendors are frustrated at not being able to compete with the Foundation.

**Background / Detail:** The proposed Provision 1 of Item 1100-001-0001 reads as follows:

*The Legislature recognizes that specialized functions, such as exhibit maintenance, educational and guest services programs, and animal care and horticulture require specialized skills that are generally not available in state civil service. It is the intent of the Legislature to allow the California Science Center to directly acquire these services from its auxiliary partner, the California Science Center Foundation. Any such contract shall be subject to approval by the State and Consumer Services Agency and the Department of General Services and be subject to all state audit requirements.*

Government Code Section 19130, Public Contract Code 10340, and other code sections define the requirements for contracting. One of the requirements is a competitive bidding process.

**Staff Comment:** The identified problem does not seem to be great. The Science Center has put a personnel service contracts out for competitive bid and achieved their preferred result, which is a winning bid from the Foundation. However, if the Subcommittee finds the Science Center's request compelling, it may wish to revise the language to make the Administration's intent more explicit:

*The operation of the California Science Center may require individual skills not generally available in state civil service to support specialized functions, such as exhibit maintenance, and educational and guest services programs including animal care and horticulture. Notwithstanding any other provisions of law, the Science Center may enter into a personnel service contract or contracts with the California Science Center Foundation without a competitive bidding process. Any such contract shall be subject to approval by the State and Consumer Services Agency and the Department of General Services and be subject to all state audit requirements.*

**Staff Recommendation:** Keep open for further discussion on the scope of the personnel services covered by this language and further discussions on the appropriate wording.

<b>Action: <u>Approved revised language on a 3-0 vote.</u></b>
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**1110 / 1111      Department of Consumer Affairs**

The Department of Consumer Affairs (DCA) Boards and Bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns.

The Boards are budgeted under organizational code 1110, and the total proposed budget is \$242.1 million (no General Fund) and 1,350.4 positions – an increase of \$15.0 million and 73.7 positions. The Bureaus are budgeted under organizational code 1111, and the total proposed budget is \$204.9 million (no General Fund) and 1,407.4 positions – an increase of \$16.7 million and 39.1 positions.

The issues listed below are cross-cutting issues that involve multiple Boards or Bureaus. Issues that relate to a single Board or Bureau are discussed under the heading of the individual Board or Bureau in the pages that follow.

**Discussion / Vote Issues**

- 1. iLicensing Information Technology Project (April Finance Letter).** The Administration requests a total budget reduction of \$1.7 million to be spread across many boards and bureaus to reflect delays in procurement for the iLicensing Information Technology (IT) project. The proposed budget bill includes language requiring \$500,000 in efficiency savings in 2009-10, and a related report. The Finance Letter proposes to amend the language to push these savings to 2010-11, and delay the report by one year – again due to delayed procurement.

**Background / Detail.** Last year, the Legislature approved total projected funding of \$11.2 million over four years for an IT project with a total cost of \$14.3 million (including redirected funds of \$3.1). The project replaces the existing on-line Professional Licensing system with a new iLicensing system. The existing system serves seven DCA licensing entities, but cannot be expanded to include the remaining 31 programs. The Feasibility Study Report (FSR) lists benefits including processing efficiencies that reduce staff hours by about 26,500 hours, which would translate into a staff reduction of about 15 clerical positions.

According to project documents from DCA, only one bid was received for the Project Management Consultant, and the bid was deemed insufficient in meeting the requirements. The DCA and the Department of General Services intend to reinstate the procurement process and hope to have a contract in April 2007. The implementation date for full implementation has been moved from April 2009 to January 2010.

**Staff Recommendation:** Approve this April Finance Letter request.

<b>Action: Approved request on a 3-0 vote.</b>
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## **1110 California Board of Accountancy**

The California Board of Accountancy (Board) regulates Certified Public Accountants and Public Accountants, as well as accounting partnerships and corporations.

The Governor proposes expenditures of \$12.3 million (no General Fund) and 84.5 positions for the Board – an increase of \$1.8 million and 16.0 positions.

### **Proposed Vote-Only / Consent Issues**

- 1. Establishment of Southern California Office / Enforcement Staffing (BCP #1110-02).** The Board requests an augmentation of \$345,000 and 3.0 positions to establish a Los Angeles office, which would house 3.0 Investigative Certified Public Accountant (CPA) positions currently based in Sacramento and 2.0 new Associate Governmental Program Analyst positions and 1.0 new Supervising CPA. All Board positions are currently in Sacramento, and there are currently 7.0 Investigative CPAs to respond to complaints throughout the state. Since about 50 percent of licensees are in Southern California, the Board feels it would be efficient to locate an office in Los Angeles.
- 2. Initial Licensing Unit – Staffing (BCP #1110-03).** The Board requests an augmentation of \$399,000 and 6.0 positions to address the growing number of CPA license applications the Board receives. The Board indicates that the number of individuals requesting initial licenses has increased 42 percent (to 3,217) since 2000-01; and the number of firms requesting initial licenses has increased 48 percent (to 452) over the same period. Processing time has increased to approximately 84 days – exceeding the 30-day period preferred by the Board. In addition to addressing workload growth and processing times, the Board wants to expand the number of quality control audits and have a secondary review of applications.
- 3. Information Services Unit - Staffing (BCP #1110-04).** The Board requests 1.0 positions (to be funded within existing budgeted resources) to address workload related to its website, IT security, and in-house network duties. The Board currently employs four Information Services staff.
- 4. Renewal and Continuing Competency Unit – Staffing (BCP #1110-05).** The Board requests an augmentation of \$160,000 and 2.0 positions to reinstate review and audit of licensees' mandatory continuing education requirement; and to shorten the review time for course submissions from professional conduct and ethics course providers. The Board indicates it discontinued audits of the continuing education license renewal requirement in 2003 to speed the processing of license renewals. Statute requires accountants to comply with the continuing education requirements adopted by the Board. The requirements are still in place, but the applicants claims of meeting the continuing education requirements are not currently verified by the Board. According to the BCP, it is taking approximately nine months to review and

approve a new professional conduct and ethics course – this creates a hardship for course providers.

- 5. Cashiering and Mail Room – Staffing (BCP #1110-07).** The Board requests 2.0 positions (to be funded within existing budgeted resources) to address workload in cashiering and the mailroom. The Board indicates it typically receives 500 to 800 pieces of mail a day and lost its mail clerk position during the hiring freeze in 2003. The Board has a single cashiering position to process 42,000 financial transactions annually. The Board has “borrowed” various staff as needed to assist with mail and cashiering activity, but indicates two new positions are needed to fully address the workload in these areas.

**Staff Recommendation:** Approve the requests on the vote-only / consent list.

<b><i>Action: Approved all vote-only / consent issues on a 3-0 vote.</i></b>
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**Discussion / Vote Issues**

- 6. Practice Privilege Unit - Staffing (BCP #1110-06).** The Board requests \$213,000 and 3.0 positions (three-year limited-term) to address workload related to Practice Privilege. Practice Privilege became operative on January 1, 2006, and allows out-of-state Certified Public Accountants (CPAs) to practice in California, as specified. Two positions were added for Practice Privilege in 2005-06; however, usage of the program in the January – May 2006 period was almost 600 percent about the forecast level.

**Background / Detail:** SB 1543 (Chapter 921, Statutes of 2004, Figueroa) allows individuals with accounting licenses in other states to engage in the practice of public accountancy in California under certain conditions. The original assumption was that 1,000 individuals would annually provide notification to the Board. The Board received over 3,000 notifications in the January to May 2006 period alone. The sufficiency of staffing was discussed in the Subcommittee last year. The Board testified on March 22 that they might need another 4.0 positions, but indicated at the May 10 hearing that statutory changes under consideration might reduce workload and they no longer felt the additional positions were necessary. The Subcommittee approved the staffing as budgeted (no additional positions were added).

AB 1868 (Ch. 458, St. of 2006, Bermudez) became operative on September 25, 2006 and provides a new option of practicing public accountancy in California on a “temporary and incidental” basis without holding an individual license or firm registration with the Board. AB 1868 will reduce workload for the Board.

**Staff Comment:** The BCP was based on an assumption of 4,726 annual notifications. The Board indicates that they received 4,300 notifications in calendar 2006. Notifications to date, in 2007, suggest a new annual average of 2,914; however the Board has yet to develop regulations to clarify the meaning of “temporary and incidental” as added by AB 1868. The regulations could result in a further change to the number of notifications.

**Staff Recommendation:** Approve the request, but ask the Board to report to the Subcommittee by March 1, 2008, on the actual number of notifications received in 2007, the Board’s projection for 2008, and any resulting staffing or budget changes. (If the Board agrees to report, staff recommends no formal reporting language)

<b>Action:</b> <i>Approved request on a 3-0 vote. The Board agreed to provide updated workload information on or before March 1, 2008.</i>
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- 7. Security Guard Services (BCP #1110-01).** The Board requests an augmentation of \$149,000 to fund 24-hour security guard services at their facility. The BCP indicates that the Department of Rehabilitation is vacating the building also shared with the Board and the Department of Boating and Waterways. The Board had been paying \$35,400 per year for their pro rata share of security, but with this request would take over the \$149,000 pro rata cost currently paid by the Department of Rehabilitation.

**Background / Detail:** The Board contracted with the California Highway Patrol (CHP) to perform a security assessment of the facility. The March 2007 CHP report concurs with the benefit 24-hour-security protection. The BCP request is to take over all of the security cost currently paid by the Department of Rehabilitation, which effectively subsidizes security for the Department of Boating and Waterways (who would not increase their payment under this proposal). The Board indicates that the adjusted pro rata share would be \$92,000 for the Board and \$92,000 for the Department of Boating and Waterways (if each paid their share). Staff understands the Board has continued to talk to the Department of Boating and Waterways and that that department may be willing to pick up their share of the increased costs.

**Staff Comment:** It seems reasonable that state entities at this facility should pay their pro-rata share of the security cost. If the pro rata shares are updated, the extra Board need would fall by \$92,000 (from \$149,000 to \$57,000). If the Board held the security contract, the Department of Boating and Waterways would reimburse the Board through an interagency agreement for their share of the costs.

**Staff Recommendation:** Keep issue open and work with the Board to adjust this request so the Board does not fund more than their pro rata share of this cost.

**Action:** *Issue kept open. The Board of Accountancy testified that the Department of Boating and Waterways would share in the security cost, which will reduce the cost to the Board of Accountancy. The Subcommittee directed staff to work with the Administration and LAO to determine appropriate budget changes to reflect the lower cost for the Board .*

## 1110 Board of Barbering and Cosmetology

The Board of Barbering and Cosmetology (Board) licenses barbers, cosmetologists, electrologists, estheticians, and manicurists after determining, through an examination, that applicants possess the minimum skills and qualifications necessary to provide safe and effective services to the public. Additionally, the Board conducts both routine and directed health and safety inspections of related facilities and businesses.

The Governor proposes expenditures of \$17.6 million (no General Fund) and 86.4 positions for the Board – an increase of \$1.2 million and 0.5 position.

### Discussion / Vote Issues

1. **Exams in prison (Staff Issue).** The Board recently re-established the practice of providing exams in prisons. On December 13, 2006, the Board conducted examinations for cosmetology at Valley State Prison and Chowchilla Correctional Facility. Nine examinations were given and four candidates successfully passed the exam. The Board indicates it will be working with the Department of Corrections and Rehabilitation to schedule additional exams in the future.

**Staff Comment.** Since the Department of Corrections and Rehabilitation (CDCR) is also in Subcommittee #4, the Subcommittee may want to ask the Board what challenges they experienced in re-establishing exams in prisons and what their intent is for the future of this program.

The Subcommittee may want to ask the Department of Consumer Affairs if any other Boards are considering similar programs. From discussions with the Department, Staff understands it *may* be feasible to conduct certain Bureau of Automotive Repair (BAR) exams in correctional facilities. However, there are no plans to implement BAR exams in correctional facilities at this time.

**Staff Recommendation:** Informational issue, no action necessary.

<b>Action: Informational issue – no action taken.</b>
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## 1110 Contractors' State License Board

The Contractors' State License Board (Board) licenses contractors and enforces licensing laws; provides resolution to disputes that arise from construction activities; and educates consumers so that they make informed choices. The Board licenses or certifies contractors in 44 classifications (e.g. plumbing, electrical, general building, etc.) and registers home improvement salespersons.

The Governor proposes expenditures of \$56.8 million (no General Fund) and 406.6 positions for the Board – an increase of \$2.6 million and 19.8 positions.

### Proposed Vote-only / Consent Issues

1. **Criminal Background Unit - Staffing (BCP #1110-14).** The Administration requests \$173,000 and 3.0 Program Technician II positions to address unanticipated workload in the Criminal Background Unit.

**Background / Detail:** SB 1953 (Ch 744, St. of 2002, Figueroa) added the Board to the list of programs whose applicants are required to submit fingerprints for purposes of conducting criminal history record checks. Grounds for denial of a license include any crime or act substantially related to the qualifications, functions, or duties of a contractor. Three positions were provided to the Board in the 2004-05 budget to implement the background checks. The Board indicates that workload was underestimated and that 7.0 additional positions have been redirected to the Unit. Even with the current staffing of 11.0 positions, the BCP indicates it can take up to 4.5 months before applications are pulled for processing. The accountability measure for the Board (if this request is approved) would be pulling all applications for processing within 30 days of receipt.

2. **Examination Centers - Staffing (BCP #1110-15).** The Administration requests \$190,000 and 5.0 Office Technician Typing positions to increase staffing at the four exam centers that currently only have one full-time position. The additional staff would allow these four exam centers to operate five days a week and reduce the wait times for qualified applicants to no longer than 3 weeks.

**Background / Detail:** The Board scheduled a total of 41,363 licensing examinations in 1999-00, and that number has increased to 93,286 in 2005-06. The BCP indicates the four test centers currently have exam wait times of 6 to 15 weeks. The Board believes the maximum acceptable wait time is 3 weeks. The accountability measure for the Board (if this request is approved) would be scheduling exams for all qualified applicants within 3 weeks.

**Staff Recommendation:** Approve the requests on the vote-only / consent list.

<b>Action: Approved all vote-only / consent requests on a 3-0 vote.</b>
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**Discussion / Vote Issues**

- 3. Licensing Division - Staffing (BCP #1110-16).** The Administration requests \$736,000 and 13.0 Program Technician II positions to address the increased workload that has resulted from a large increase in the number of applications and license renewals.

**Background / Detail:** The Board received 41,363 original license applications in 2005-06 – up from 26,987 in 2002-03. Over the same four-year time period, staffing in the Licensing Division fell from 115 positions to 99 positions. However, even with the increase in applications and decrease in positions, the Board has been able to use overtime and temporary help to examination processing times (measured as time to “pull applications”) from 19 weeks in 2002-03 to 2.9 weeks in 2005-06.

The Board indicates it has redirected savings from other areas to overtime and temporary help in the Licensing Division. While this has allowed the Board to address workload growth and reduce processing time, it has reduced resources for other activities that the Board says will suffer if this BCP is not approved. Specifically, the Board indicates it has savings in the Enforcement Division (such as Attorney General, Office of Administrative Hearings, and Evidence/Witness) which were redirected to Licensing. The Board implemented mandatory settlement conferences for many enforcement cases which saved the Contractor State License Board Attorney General expenditures. However, the Board indicates efficiencies savings in the enforcement area are now needed to cover a higher volume of enforcement cases.

**Staff Comment:** The Subcommittee may want to hear from the Board on how they generated efficiency savings in the Enforcement Division (via mandatory settlement conferences) and how this affects consumers seeking restitution from a contractor.

**Staff Recommendation:** Approve this request.

**Action: Approved request on a 2-0 vote, with Senator Kehoe absent.**

## **1110 Dental Board of California**

The Dental Board of California (Board) establishes minimal standards of competency for those individuals seeking to practice as a dentist, registered dental hygienist, and registered dental assistant. Within the Board, the Committee on Dental Auxiliaries manages the licensing and examination processes for dental auxiliary professions.

The Governor proposes expenditures of \$12.8 million (no General Fund) and 63.5 positions for the Board – an increase of \$1.4 million and 7.1 positions.

### **Proposed Vote-Only Issues**

- 1. SB 438 - Staffing (BCP #1110-04L).** The Administration requests \$69,000 (\$43,000 of that amount ongoing) and a 0.5 Staff Services Analyst position to address increased licensing workload created by the enactment of SB 438 (Ch. 909, St. of 2006, Migden), which broadened the scope of practice for oral and maxillofacial surgery permit holders. The 0.5 position would process the programs permit applications and monitor the program. The requested funding is consistent with the estimates included in bill analyses of SB 438.
- 2. SB 1541 - Staffing (BCP #1110-06L).** The Administration requests \$303,000 (\$251,000 of that amount ongoing) and 2.0 Office Technician positions to address exam development and increased processing workload created by the enactment of SB 1541 (Ch. 908, St. of 2006, Ducheny), which creates a work experience pathway for licensure as a specialty registered dental assistant. The requested first-year funding is consistent with the estimates included in bill analyses of SB 1541; however, the ongoing costs exceed estimates by about \$50,000.
- 3. SB 683 - Staffing (BCP #1110-05L).** The Administration requests \$63,000 (\$56,000 of that amount ongoing) and 1.0 Office Technician position to address workload associated with the enactment of SB 683 (Ch. 805, St. of 2006, Aanestad), which creates an alternative pathway for licensure for an applicant who passed specified national examinations in dentistry, the California Law and Ethics exam, and has completed a clinically-based advanced education program in general dentistry. Fiscal estimates included in the legislative bill analyses of SB 1541 indicated minor costs associated with the promulgation of regulations, but did not assume any ongoing costs. However, the Board indicates late amendments to the bill increased workload to require a new Office Technician position.
- 4. Dental Examiner – Compensation Rate (BCP #1110-17).** The Administration requests \$171,000 (\$156,000 of that amount ongoing) to increase the daily compensation from \$125 to \$250 for Dental Examiners (external consultants). The Board uses licensed dentists as expert examiners to evaluate the work of candidates applying for licensure. The Board indicates that licensing entities in other states pay examiners in the \$200 to \$300 range. While the Board has not faced difficulty to date recruiting expert examiners, they believe they will face recruitment difficulties in

the future without the compensation increase. The cost falls in 2008-09 because the “restorative technique” examination is eliminated in that year.

**Staff Recommendation:** Approve the vote-only proposals.

**Action:** *Approved all vote-only / consent requests on a 2-0 vote, with Senator Kehoe absent.*

## Discussion / Vote Issues

- 5. Enforcement Program – Investigator Staffing (BCP #1110-18).** The Administration requests \$440,000 and 4.0 Investigator positions to address Enforcement Investigation caseload and have sufficient sworn personnel for Probation Monitors.

**Background / Detail:** Currently, the Board has 9.0 Investigator positions that perform approximately 450 investigations per year. The Board also has 4.0 Inspector positions that manage a 285-probationer caseload and perform inspection of dental offices. The BCP indicates a concern that Inspectors are working out-of-class in managing the probationer caseload. The Board wants to shift this workload to Investigators.

The Board indicates that when open cases from prior years are included, the average caseload per investigator is 142. If this request were approved, the average caseload would fall to around 95. The Board indicates that a caseload of 20-25 would be manageable, and moreover, the Medical Board has a caseload of between 20 and 40 cases per investigator. The Board has had as many as 17 Investigator positions in the past (1998), and has had staffing in the current range of 9 Investigators since.

**Staff Comment:** Some of the information provided by the Board suggests that the requested positions are not sufficient to adequately staff the Board. For example, if the Medical Board comparison is valid, the staffing should be increased by another 12 or more Investigators.

The Subcommittee may want to ask the Board what performance benchmarks they are trying to achieve and if the staffing in the BCP will be sufficient to achieve the desired performance goals.

**Staff Recommendation:** Keep issue open and direct staff to work with the Board to quantify the out-year performance measures so the Subcommittee can continue to monitor staffing needs and performance.

**Action:** *Kept open for further analysis on Investigator staffing levels.*

## **1110 Medical Board**

The Medical Board (Board) licenses and regulates physicians, midwives, opticians, spectacle lens dispensers, contact lens dispensers, and research psychoanalysts. The Board administers an enforcement program designed to identify and discipline potentially dangerous physicians. The Board also has oversight responsibility for the Physician Assistant Committee and the Board of Podiatric Medicine.

The Governor proposes expenditure of \$51.9 million (special fund) and 259.4 positions for the Board – an increase of \$1.2 million and 1.6 positions.

### **Discussion / Vote Issues**

- 1. Implementation of Senate Bill 231 (Staff Issue).** Senate Bill 231 (Chapter 674, Statutes of 2005, Figueroa) implemented most of the key recommendations made by the Board's Enforcement Monitor and included a fee increase to close the Board's deficit. Last year, the Legislature approved a budget augmentation for SB 231 reforms. However, due to uncertainty over the sufficiency of revenues, not all of the Monitor's recommendations were funded. This year's revenue outlook may allow for the restoration of additional Investigator positions, and/or other unimplemented Monitor recommendations.

**Background/Detail:** The Board's sunset review in 2002 revealed numerous and significant problems with enforcement and public disclosure practices. The Legislature responded by enacting SB 1950 (Chapter 1085, Statutes of 2002, Figueroa), which required the Board to hire an independent Enforcement Monitor to evaluate the practices of the Board and issue recommendations. SB 231 enacted many of the statutory changes necessary to implement the recommendations of the Enforcement Monitor. SB 231 specifies, among other provisions, that physicians inform the Board of court judgments and convictions; that the Board post disciplinary actions against physicians on the Internet; and that the Board is authorized to fine physicians for failure to provide requested documents. Last year, the Board submitted a budget change proposal to increase funding by \$3.9 million in 2006-07, and add 0.5 permanent and 10.0 two-year limited-term positions to begin implementing the staffing and other budget-related recommendations of the Monitor's report. The Legislature augmented funding by another \$225,000 and made the 10 new limited-term positions permanent.

The independent Enforcement Monitor made several recommendations which were not included in the 2006 Budget Act and are not being requested by the Administration this year. The Monitor recommended the reestablishment of 29 abolished enforcement positions lost to the hiring-freeze earlier in the decade (only 10 positions were restored last year). Additionally, the Monitor recommended upgrading Medical Board Investigator salaries to be commensurate with Investigators at other State entities.

The Governor's Budget forecasts a 2007-08 reserve of \$8.8 million – down from the forecast 2006-07 reserve of \$10.9 million. However, the Board raised licensing fees

from \$790 to \$805 effective January 1, 2007, and the resulting annual revenue increase of approximately \$800,000 is not included in the Governor's Budget.

**Staff Comment:** The Subcommittee may want to hear from the Board on the issue of appropriate staffing, and the issue of pay differentials for Investigator positions and related supervisors and managers. The annual cost to match the Department of Justice salaries would be approximately \$1.24 million for 95 peace officer classifications and \$100,000 for 14 non-peace-officer support positions.

**Staff Recommendation:** Keep issue open to discuss further at the April 25 hearing when the Department of Personnel Administration is heard. During budget hearings last year, the Administration indicated recruitment and retention issues of this type should go through the collective bargaining process, and not be approved in budget action prior to the collective bargaining process. However, a similar Board of Pharmacy recruitment and retention issue is on the following page and is being requested in advance of the collective bargaining process. The Subcommittee may want to discuss process issues with the Administration prior to acting in an ad hoc manner on this issue or the issue for the Board of Pharmacy.

**Action:** *Kept open to discuss broader pay and process issues with the Department of Personnel Administration at the April 25<sup>th</sup> hearing.*

2. **AB 2342 Study (BCP #1110-01L).** The Board requests \$100,000 (one-time special funds) to implement AB 2342 (Ch. 276, St. of 2006, Nakanishi), which requires the Board, in conjunction with the Health Professions Education Foundation, to study the issue of its providing medical malpractice insurance for physicians and surgeons who provide voluntary unpaid services to indigent patients in medically underserved areas of the state. AB 2342 makes implementation of the study requirement contingent on an appropriation of funds for that purpose and requires a report to be submitted to the Legislature by January 1, 2008.

**Background/Detail:** The BCP indicates the existing law waives the renewal or initial licensing fee (\$805) for physicians who certify to the Board that issuance of the license or the licensure renewal is for the sole purpose of providing voluntary, unpaid service to indigent patients in medically underserved or critical-need population areas of the state. The cost of malpractice coverage is a deterrent to some doctors who would otherwise be willing to provide voluntary unpaid medical service. AB 2342 makes implementation of the study requirement contingent on an appropriation of funds for that purpose, and requires that the report be submitted to the Legislature by January 1, 2008. The requested funding of \$100,000 would fund Health Professions Education Foundation (Foundation) via an interagency agreement to perform the study. The Foundation is a State entity within the Office of Statewide Health Planning and Development (OSHPD).

**Staff Recommendation:** Approve this request.

**Action:** *Approved request on a 2-0 vote, with Senator Kehoe absent.*



**1110 Board of Pharmacy**

The Board of Pharmacy (Board) licenses and regulates individuals and firms that ship, store, transfer, and dispense prescription drugs and devices to patients and health care providers.

The Governor proposes expenditure of \$9.6 million (special fund) and 50.5 positions for the Board – an increase of \$865,000 and 2.8 positions.

**Proposed Vote-Only Issues**

- 1. Administrative Functions – Staffing (BCP #1110-28).** The Administration requests 1.0 Staff Services Analyst position and 2.0 clerical positions to be funded within existing resources. The Board indicates these same positions were lost during the hiring freeze, earlier in the decade. The positions would address deficiencies such as dropped phone calls, delays in assisting licensees with deficient applications, and delays in assisting the Attorney General with pending cases. The cost of the positions would be paid by redirected operating expense funding.

**Staff Recommendation:** Approve this request.

<b><i>Action: Approved request on a 2-0 vote, with Senator Kehoe absent.</i></b>
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**Discussion / Vote Issues**

- 2. Inspector Pay Differential (BCP #1110-33).** The Administration requests \$576,000 to fund a \$2,000/month pay differential for the Board's 24.0 Inspector positions. The Board indicates incumbents are licensed pharmacists and the Department of Health Services has a similar classification, which pays a \$2,000/month differential. The Board indicates the disparity with the Department of Health Services and the private sector has caused a recruitment and retention problem. Currently, 5 of 24 authorized positions are vacant.

**Background / Detail:** The BCP indicates that the maximum salary for a Board pharmacist in the Inspector position is about \$76,000, versus \$104,000 at the Department of Health Services (including their differential) and the mean annual salary for public and private pharmacists in California is \$100,000 (Bureau of Labor Statistics May 2005 data).

**Staff Comment:** According to the Board, the Inspector positions are represented by Bargaining Unit 19, which recently negotiated a two-year contract with an effective date of July 1, 2006. Since these differentials and other employee compensation enhancements are generally negotiated in the collective bargaining process, it is unclear why this differential was not included in last year's contract or why it is not held for inclusion in the next contract (which would begin July 1, 2008).

**Staff Recommendation:** Keep issue open to discuss further at the April 25 hearing when the Department of Personnel Administration is heard (consistent with the recommendation concerning the similar issue for the Medical Board). During budget hearings last year, the Administration indicated recruitment and retention issues of this type should go through the collective bargaining process, and not be approved in budget action prior to completion of the collective bargaining process (with the exemption of court-ordered salary increases and related adjustments). The Subcommittee may want to discuss process issues with the Administration prior to acting in an ad hoc manner on this issue or the issue for the Medical Board.

<p><b>Action:</b> <i>Kept open to discuss broader pay and process issues with the Department of Personnel Administration at the April 25<sup>th</sup> hearing.</i></p>
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## **1111 Bureau of Private Postsecondary and Vocational Education**

The Bureau of Private Postsecondary and Vocational Education (Bureau) is responsible for overseeing and approving private postsecondary vocational and degree-granting institutions to ensure they meet specified minimum statutory standards of quality education, fiscal requirements, and student protection. Under current law, the Bureau sunsets on July 1, 2007.

The Governor proposes expenditures of \$11.4 million (no General Fund) and 74.7 positions for the Bureau – an increase of \$3.0 million and 20.3 positions from adjusted 2006-07 expenditures.

### **Discussion / Vote Issues:**

- 1. Sunset of Bureau / Legislation to Recreate the Bureau (BCP #1111-20):** The Administration requests an augmentation of \$3.4 million and 20.3 positions to address additional workload at the Bureau. The request is contingent on policy legislation being enacted in 2007 to recreate the Bureau in statute after its July 1, 2007, sunset.

**Background / Detail:** Efforts to reform the Bureau and/or extend the sunset for the Bureau were unsuccessful in 2006. The Governor vetoed AB 2810, which would have extended the sunset to July 1, 2008, indicating that that measure did not include any reforms. The veto message indicated that the Governor would support reform legislation in 2007. Because the Bureau sunsets on July 1, 2007, and the Constitution prohibits the creation of a new office with urgency legislation (Article 4, Section 8), the Bureau cannot be extended, or recreated, until January 1, 2008.

Staff understands that two policy bills, SB 823 (Perata) and AB 1525 (Cook) would respectively recreate the Bureau on January 1, 2008, and provide for some student protections in the interim period of July 1, 2007, through December 31, 2007.

**Staff Comment:** The proposed Bureau budget is a placeholder. The Administration indicates it will update the proposed budget through a spring Finance Letter as policy bills are amended and move through the legislative process.

The Subcommittee may want to ask the Administration how the July 1, 2007, sunset and a possible January 1, 2008, recreation will affect the Bureau's staff and budget for 2007-08.

**Staff Recommendation:** Keep this issue open pending the progress of related policy legislation and expected budget revisions from the Administration.

<b><i>Action: Kept open – the Bureau will provide the Subcommittee additional information on the impacts caused by the sunset of the Bureau .</i></b>
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## **1111 Bureau of Automotive Repair**

The Bureau of Automotive Repair (Bureau) administers the Automotive Repair Program and the Smog Check Program. Both Programs are designed to protect consumers and discipline unethical service dealers and technicians. The Bureau also administers the Consumer Assistance Program, which provides financial assistance to eligible consumers whose vehicles fail a biennial Smog Check inspection.

The Governor proposes expenditures of \$167.0 million (no General Fund) and 598.5 positions for the Bureau – an increase of \$14.6 million and 12.4 positions.

### **Proposed Vote-Only Issues**

- 1. Interagency Agreement with the DMV (BCP #1111-10).** The Bureau requests a budget reduction of \$383,000 to reflect a recalculation in the interagency payment to the Department of Motor Vehicles (DMV). The DMV performs services related to the Smog Check Program, such as receiving smog check certifications, responding to telephone and mail inquiries, and collecting Smog Abatement Fees. The recalculated cost of these services is \$5.0 million – down from \$5.4 million.
- 2. Smog Check Program – Contract Management Positions (BCP #1111-08).** The Bureau requests the addition of 3.0 Associate Info System Analyst positions and 1.0 Information Systems Technician Specialist position to provide contract oversight of the vendor that runs the Next Generation Electronic Transmission (NGET) system. These positions would be funded within existing resources. The NGET system is the central database and communications network for the Smog Check system. This system became operational in 2006 and replaced a 1996 system run by another vendor. Both the new and old system provide for transmitting and processing Smog Check inspection data on a real-time basis and allowing the paperless transfer of Smog Check certificates of compliance. The request is based on a recommendation from the NGET Independent Project Oversight Consultant to improve Bureau staffing and business practices to mitigate risk in the operation and maintenance phase of the project.

**Staff Recommendation:** Approve these requests.

<b>Action:</b> <i>Approved the vote-only / consent issues on a 3-0 vote.</i>
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**Discussion / Vote Issues**

3. **Implementation of AB 1870 (BCP #1).** The Bureau requests an augmentation of \$12.3 million (Vehicle Inspection and Repair Fund) and 9.1 positions in 2007-08 to implement AB 1870 (Ch. 761, Statutes of 2006, Lieber), which requires the Bureau to incorporate a visible smoke test into the Smog Check Program and authorizes the Bureau to pay consumers \$1,500 or more (if the Department determines a higher-amount is cost effective) to retire a vehicle that fails its biennial Smog Check inspection. The cost of AB 1870 implementation in 2008-09 and ongoing would be \$22.9 million and 13.0 positions.

**Background / Detail:** AB 1870 requires the Bureau to implement a visual smoke inspection procedure as a component of the Smog Check inspection. The new test, which starts January 1, 2008, will rely on the technician's observations instead of new equipment. A visual test is needed because the equipment does not test for particulate matter or tail pipe smoke and therefore a vehicle burning excessive amounts of motor oil and causing harmful emissions can pass the test. Existing law provides for "referee" inspections when drivers dispute the results of a smog test, and 36 referee locations currently exist. The Bureau estimates that 800 car owners will annually dispute negative results from the AB 1870 visual test.

The Bureau indicates it will use the AB 1870 authority to increase the payment for retirement of high-polluting vehicles from the current \$1,000 to \$1,500. The Administration estimates the higher payment will result in an additional 7,854 vehicle retirements annually at an additional cost of \$21.7 million (which comprises the majority of the \$22.9 million in ongoing costs).

**Staff Comment:** The Vehicle Inspection and Repair Fund has a current year fund balance of over \$50 million and an outstanding loan to the General Fund of over \$100 million. Funds appear sufficient to fund higher vehicle retirement payments, without increasing fees.

**Staff Recommendation:** Approve this request.

<b>Action:</b> <i>Approved request on a 2-1 vote, with Senator Dutton voting no.</i>
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**1700 Department of Fair Employment and Housing**

The mission of the Department of Fair Employment and Housing (Department) is to protect people from unlawful discrimination in employment, housing, and public accommodations, and from the perpetration of acts of hate violence.

The Governor proposes expenditures of \$24.3 million (\$18.6 million General Fund) and 228.2 positions for the Department – an increase of \$2.6 million and 16.2 positions.

**Proposed Consent / Vote-Only Issues:**

- 1. Housing Discrimination Workload - Staffing (BCP #1).** The Department requests \$873,000 (General Fund) and 7.0 positions to improve housing case processing. The Department is increasingly unable to meet the 100-day closure requirement for housing complaints.

**Background / Detail:** Both State and federal fair housing law require that housing investigations be completed within 100 days of the filing of a complaint, unless it is deemed impracticable to do so. The Department reports that in 2005-06, it was unable to meet the U.S. Department of Housing and Urban Development (HUD) requirement to close 50 percent of its cases in 100 days and this resulted in the loss of over \$200,000 in federal funds. The Department indicates the loss of federal funds will continue and grow if staff is not augmented. The number of housing complaints filed grew from 801 in 2001-02 to 1,205 in 2005-06.

**Staff Recommendation:** Approve this request.

<b><i>Action: Approved request on a 3-0 vote.</i></b>
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**Discussion / Vote Issues:**

2. **Decentralization of Los Angeles District Offices (BCP #3).** The Department requests one-time funding of \$400,000 (General Fund) to vacate a downtown Los Angeles (LA) office and move staff to three new decentralized offices in the LA District.

**Background / Detail:** The BCP indicates that the Department had 13 locations prior to 2002-03, but reduced the number to 10 to reduce costs. The Department has observed a decrease in the volume of complaint filings in areas where offices were closed. The hope is that additional offices can improve accessibility for those suffering employment or housing discrimination and the move can be accomplished *without increasing aggregate ongoing facility costs.*

**Staff Comment:** The Department indicates there are some uncertainties related to new rent levels; however, their current lease is expiring and rent will likely increase if they retain their centralized structure. The Department indicates that this proposal would not result in the need for additional positions. The Subcommittee may want to ask the Department if they plan to absorb any cost increases, such as unanticipated rent costs, or whether they will likely return with a related request in next year's budget.

**Staff Recommendation:** Approve this request.

<b><i>Action: Approved request on a 2-1 vote, with Senator Dutton voting no.</i></b>
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- 3. Restoration of the Mediation Program (Staff issue).** Last year the Legislature augmented funding by \$250,000 and redirected \$250,000 to re-establish a mediation program at the Department (action in Budget Conference Committee). The Department had conducted an employment mediation pilot program in 2001-02 and an independent cost-benefit analysis found mediation saved money. However, the Department felt there were offsetting costs and that, overall, mediation produced no net benefit. The Governor vetoed the augmentation, indicating doubt about whether the mediation program could be implemented at a cost lower than \$1.0 million (which was the cost of the pilot).

**Background / Detail:** In addition to the employment mediation program, the federal government funded a housing mediation program in 2002-03 and 2003-04. The Department recently established a voluntary mediation program in the employment area. However, given the governor's veto message suggesting a minimum \$1.0 million cost for an effective program, it is unclear how effective this new program will be.

**Staff Comment:** The Subcommittee may want to ask the Department to briefly summarize their former employment and housing mediation programs and explain their new voluntary employment program works.

**Staff Recommendation:** Hold this issue open for further review.

<b><i>Action: Issue kept open for further analysis.</i></b>
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- 4. Legal and Administration Workload - Staffing (BCP #2).** The Department requests \$1.5 million (General Fund) to add 6.0 attorney positions and 4.0 administrative positions. This request would allow the Department to address workload that did not diminish when positions were cut earlier in the decade to reduce General Fund costs.

**Background / Detail:** Overall Department staffing is still significantly lower than the 284.7 positions authorized for 2002-03. The Department had 19 Counsel positions in 2002-03 and currently has 10. The legal workload, measured in accusations issued and civil complaints filed, has increased over the most recent four year period. The Department indicates it is lacking budget staff to perform monthly expenditure analyses; it is lacking sufficient accounting positions to perform required reconciliations and analyses; and it is experiencing a procurement backlog. The Department indicates it can address these deficiencies and others with the addition of 4.0 administrative positions.

**Staff Comment.** While attorney positions have been lost as the number of complaints filed has increased, the Department was not able to identify any unmet workload. However, the Department indicated the existing attorneys were working longer hours. The Subcommittee may want to hear from the Department on how it assesses the staffing need for attorneys.

**Staff Recommendation:** Keep this issue open for further review. If there turns out to be savings opportunities from this issue, the Subcommittee may want to consider shifting this saving to reestablish a mediation program (re: issue #3 on the prior page).

<b><i>Action: Issue kept open for further analysis.</i></b>
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## 8500 Board of Chiropractic Examiners

The Board of Chiropractic Examiners (Board) licenses and regulates the chiropractic industry. The Board also sets educational standards for recognized chiropractic colleges, reviews complaints, and investigates possible violations of the Chiropractic Act and regulations.

The Governor proposes expenditures of \$3.1 million (no General Fund) and 14.9 positions for the Board – an increase of \$66,000 and no change in positions.

### Issues for Discussion:

1. **Problems at the Board (Staff issue).** On March 28, 2007, the Senate and Assembly Business and Professions Committees held a joint hearing concerning alleged improprieties at the Board. The alleged improprieties include violations of open-meeting laws and personnel procedures. A new Interim Executive Director, Mr. Brian Stiger, has been appointed to help address the problems at the Board. Staff understands the scope of the new Executive Director's assignment includes a review of staffing and expenditures.

**Staff Comment:** The Subcommittee may want to hear from Mr. Stiger, or another appropriate representative, on what activities are underway to correct problems at the Board and whether any related budget proposals will be forthcoming for 2007-08.

**Staff Recommendation:** Hold the Board's budget open because further review of the Board by the Administration and the Legislature could result in budget changes for 2007-08.

<b>Action: Issue kept open for further analysis.</b>
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2. **iLicensing Information Technology Project (April Finance Letter).** The Administration requests a budget increase of \$14,000 (special fund) for the Board of Chiropractic Examiners to participate in the Department of Consumer Affairs (DCA) iLicensing Information Technology Project. A related iLicensing issue is in the DCA section of this agenda. This proposal would add the Board of Chiropractic Examiners to the DCA boards and bureaus who will fund the development of the system and then benefit from the completed on-line licensing system.

**Background / Detail.** Last year, the Legislature approved total projected funding of \$11.2 million over four years for an IT project with a total cost of \$14.3 million (including redirected funds of \$3.1). The project replaces the existing on-line Professional Licensing system with a new iLicensing system. The existing system serves seven DCA licensing entities, but cannot be expanded to include the remaining 31 programs.

**Staff Recommendation:** Approve the April Finance Letter request.

<b>Action: Issue kept open for further analysis.</b>
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## 8860 Department of Finance

The Department of Finance is responsible for advising the Governor on fiscal matters, preparing the annual executive budget, evaluating the operation of state government, and developing economic and demographic information. In addition, the department oversees the operation of the state's accounting and fiscal reporting system. The Office of State Audits and Evaluations assesses the operation of the state's programs. Finally, the Office of Technology, Review, Oversight, and Security serves as the administration's information technology project review unit.

The Governor's budget proposes expenditures of \$84.4 million (\$68.8 million General Fund and \$15.6 million in reimbursements) to support the activities of DOF in 2007-08. This is an increase of \$33 million, or 64 percent, above estimated current-year expenditures. This increase is due primarily to the continued development of a new computer system (detailed further below).

### 1. Proposed for Vote Only

- **Correction and Rehabilitation Litigation Coordination and Oversight (BCP# 8860 – 06).** The DOF requests \$132,000 General Fund and one position to provide oversight to the Department of Corrections and Rehabilitation and coordination within the Administration on Corrections litigation issues. In addition, this position will serve as the liaison to the Legislature to allow for a single point of contact on all corrections litigation issues.
- **Transform Fiscal Systems and Consulting Unit (FSCU) (BCP# 8860 – 02).** The DOF requests \$696,000 (non-General Fund) and five additional positions for the FSCU. In addition, the funding for FSCU will be realigned to reflect the statewide service it provides. The proposal results in a General Fund savings of \$249,000.
- **Change three limited-term positions to permanent positions and reclassify one position (BCP# 8860 – 04).** The DOF requests \$350,000 reimbursement authority and the conversion of 3 limited-term positions to permanent in order to carry on the activities attendant to the issuance of bonds, facilitate refunding, monitoring, and departmental training activities; and provide centralized information for debt management. In addition, given the complexity and volume of bonds being issued and the increased use of lease revenue bonds, DOF requests the reclassification of one Finance Budget Analyst position to a Staff Counsel III (specialist) to provide support on the plethora of legal concerns surrounding bond issuances.
- **Budget Bill Language to provide additional printed copies of the budget to the Legislature.** The Legislature is requesting a total of ten additional copies of the printed State Budget – five each to the Rules Committees of each house. Provision 4 of the Item 8860 contains the key language which shall be amended to include, “...five copies to the Senate Rules Committee and five copies to the Assembly Rules Committee, and (2)....”

***Action: Approved the above recommendations 3-0***

## **DISCUSSION / VOTE ISSUES**

1. **Financial Information System for California (FI\$Cal).** The budget includes \$35.7 million General Fund and 238 permanent positions to support a revised special project report for a comprehensive statewide financial system named the Financial Information System for California (FI\$Cal). Ultimately, the projected total cost of this project is \$1.3 billion (of which \$788 million is General Fund).

**Background.** In the fall of 2005, DOF embarked on the planning phase of an information technology (IT) project to replace its internal budget system. The Budget Information System (BIS) project, as it was named, was planned to replace DOF's budget development system. The total budget for BIS was projected at \$138 million (\$68 million General Fund). The existing budget system involves the collection of data in multiple systems. The objective of BIS was to implement a single, statewide budget data repository that would meet DOF's budget development needs and the needs of individual state departments. Under the plan, departments would enter their budget requests into BIS and submit them to DOF online. This information would form the basis of the Governor's budget proposal and would allow changes to be tracked throughout the legislative budget process.

DOF, based on feedback from state departments, now proposes to dramatically expand the BIS project. The new proposal is to implement a single, statewide financial system which would encompass budgeting, purchasing, cash management, and accounting. The expanded BIS project has been renamed FI\$Cal. The BIS project proposed a seven-year effort to purchase and implement a statewide budget system by 2012. Departments would have been responsible for interfacing their existing financial systems to the new budget system. In contrast, the FI\$Cal project plan proposes full implementation by 2015 for over 100 state entities.

The DOF proposes to procure and implement enterprise resource planning (ERP) software. The ERP is an industry term for software that integrates processes to help business better manage its activities. The project would supply each participating department with a new integrated financial system. The FI\$Cal project cost is estimated to be \$1.3 billion over the next decade with as many as 691 staff positions involved in project development. The ongoing costs, once the project is fully implemented, are expected to total \$88 million annually. After full implementation, the primary ongoing costs are computer processing at the Department of Technology Services (\$45 million), state staff (\$16 million), and software licenses (\$10 million).

**Benefits and Risks.** The key benefits of an ERP come from the standardization of the business processes and the automation of transactions. The software assumes a set of common business processes and provides the framework to automate

paperwork. An important assumption underlying the project is that state departments will modify their operations to fit within the ERP framework.

The LAO indicates that a major benefit of an ERP, the standardization of business processes, also creates the greatest challenge and biggest risk – that being implementation of software without customization. LAO analysis indicates that ERP systems have been implemented in some state departments; however, none have experienced the true benefit of standardized processes, because customization has occurred for various reasons. The longevity of the system's usefulness is proportional to the extent that the software is implemented without customization.

**Staff Comments:** Two years ago the Legislature recognized the difficulty of maintaining the current aging legacy budget systems; and the Budget Information System (BIS) was the solution at that time. However, the departure from BIS to FI\$Cal and its requisite funding commitment -- in excess of \$1.1 billion is alarming. By way of example, the 2008-09 (one-year) General Fund cost of FI\$Cal is approximately \$221 million, which is \$153 million over the estimated total GF cost for BIS. In addition, on February 22, the full Budget Committee held a hearing on IT Management Processes, and at that hearing it was revealed that the state does not have a great track record on implementation of major IT projects. This project would be the most significant project to date.

In addition, the FI\$Cal project may have the unintended effect of creating an IT "brain drain" since the best personnel from every affected department and agency (since salaries are scheduled at the top step for every classification) would potentially be re-directed to this project.

As with all budgets, priorities must be made. With the state's fragile fiscal condition at this point, committing huge amounts of General Fund dollars annually over the next several years will potentially put other Legislative priorities at risk.

**Staff Recommendation:**

Deny the proposed FI\$Cal project.

<b><i>Action: Rejected the proposal 3-0</i></b>
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2. **Office of Technology Review, Oversight and Security (OTROS).**

The budget proposes to transfer \$3.3 million General Fund and 29 positions from OTROS to a newly created Office of the Chief Information Officer (OCIO). As envisioned by the Administration, the OCIO would incorporate the project oversight and review function of the Department of Finance's Office of Technology Review, Oversight, and Security (OTROS). (Information security components of OTROS would shift to the State and Consumer Services Agency.) Twenty-six positions in OTROS would shift to the OCIO to continue the project oversight and review activities.

The Administration has submitted trailer bill legislation eliminating the SB 834 provisions and replacing them with broader authority and responsibilities and consolidating OTROS into the OCIO.

According to DOF, transferring the OTROS function to the OCIO will allow the State CIO to shape project planning documents and to exercise statewide direction, strategic planning and management, as well as control functions such as approval/disapproval of proposed projects, or providing conditional project approval.

**Background.** Senate Bill 834 (Chapter 533, Statutes of 2006) established the Office of the State Chief Information Officer (OCIO) to provide state IT with leadership, legal and legislative support, strategic planning, governance, policies, standards, expertise, and portfolio management. However, SB 834 did not specify how the OCIO will be staffed, budgeted, etc.

Currently, OTROS reviews IT projects for risk and benefits. The OTROS analysts coordinate their reviews with the associated DOF budget analyst so that IT projects are approved for funding within the context of the overall state budget. According to the LAO, in poor economic times, DOF has denied funding for new IT projects and delayed projects that were in progress in order to manage costs. For projects that are approved for implementation, OTROS has developed a three-tier oversight process. Projects are categorized by key factors – such as cost and the experience of the project manager – to determine if they are low, medium, or high risk. Low- and medium-risk projects are principally overseen at the departmental and agency levels. Focusing on high-risk projects, OTROS performs independent oversight to see that projects stay within scope, schedule, and cost.

**LAO Alternative.** On March 8, this subcommittee heard the LAO analysis and recommendations on the OCIO and the shift of both OTROS functions to this office. At that hearing, the LAO recommended an alternative structure that would maintain OTROS at the Department of Finance and shift security policy responsibility to the OCIO, while emphasizing the OCIO role as the state's IT program expert and should be responsible for planning, policy, and standards development.

**Staff Comments.**

- The Department of Finance should report at the hearing on how it will maintain its role in approving budget proposals concerning IT projects without the expertise currently provide by OTROS.
- Does DOF envision a change in their final fiscal control over IT projects?

**Staff Recommendation.** Adopt the LAO recommendations in this area and maintain OTROS at DOF and shift security policy responsibility to the OCIO. Request that the LAO assist in drafting any necessary language to insure this action is achieved.

**Action: Adopted the LAO recommendations on a 3-0 vote. And made conforming changes related to Item 0510 – issue 2, see above.**

3. **Department of Finance Staff Compensation.** The DOF requests \$1.5 million (\$1.2 million General Fund, \$121,000 Special Funds, and \$165,000 reimbursements) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit. The salary increases and the amount subject to retirement would be phased-in over three years.

DOF indicates it has experienced significant problems in retaining key personnel in the areas of budget, audits, and accounting. According to DOF, due to the complexity of the budget process and the number of departments/agencies, a Budget Analyst does not reach the “journey” level of competence until they have completed three budget cycles. The average number of years of experience for Budget Analysts has declined from 3.4 years to 2.7 years in the last four years. This requires DOF to be in a perpetual recruiting mode searching for graduate students, interdepartmental transfers, and hires from the Staff Services Analyst lists to replace departing staff. Generally, individuals who leave DOF do so for various reasons, the most common being fewer work hours (and ability to celebrate the holidays) and higher pay. Similar stories regarding problems in recruitment and staff retention in the areas of accounting and auditing also exist.

**What about a Comprehensive Approach to Recruitment and Retention?** The overall issue of recruiting and retaining staff in all levels of state government has been the topic of discussion in recent years. DOF indicates that the Department of Personal Administration is in the process of developing a strategic plan for comprehensive reform of state civil service. The plan will address areas such as DOF where there is a higher expectation for staff than in other departments. However, implementation of any plan will likely take many years and DOF indicates they cannot afford to continue to lose staff at the rates that have occurred in the past few years.

**Staff Comments.** Basically, will additional compensation solve all that ails DOF? Under the current salary structure, a Budget Analyst at DOF earns a minimum of five percent more than a Budget Analyst in a line department. According to DOF, this amount of additional compensation has not been sufficient to retain staff when the workload, expectations, and impact on personal lives are so different between DOF and every other state agency. It remains to be seen whether additional compensation can overcome all other obstacles to a quality of life response.

**Staff Recommendation.** Hold this item open for further review.

<b><i>Action: Item held open for further review.</i></b>
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4. **Staff Counsel III (Specialist) Position to Support the Governor’s Strategic Growth Plan.** The DOF requests the addition of one Staff Counsel III (Specialist)

position and \$139,000 reimbursement authority to provide legal advice for the increased workload and to assist in the workload generated from currently authorized financings.

**Staff Comments.** In the past, DOF has made a compelling case for additional staff needed to provide essential oversight and management of the various bond activities now facing the state. Two years ago, the Legislature provided limited-term positions at the DOF for these purposes.

**Staff Recommendation.** Reject this proposal. As part of the "Vote Only Approval" agenda, subcommittee staff has recommended approving DOF's (BCP# 8860 – 04) request for \$350,000 in reimbursement authority and the conversion of 3 limited-term positions to permanent and the reclassification of one Finance Budget Analyst position to a Staff Counsel III (specialist) to provide support on the plethora of legal concerns surrounding bond issuances.

<b><i>Action: Item held open for further review.</i></b>
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